GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4240
ANSWERED ON:11.08.2017
Forward Markets Commission
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has issued instructions to the commodities futures regulator Forward Markets Commission (FMC) to curb speculation and price manipulation of farm items;

(b) if so, the details thereof and its impact on prices of farm items so far;

(c) the number of complaints received by the Government/FMC for price manipulation of farm items in the country during each of the last three years and the current year, State/UT-wise along with the action taken/being taken by the Government/FMC on such complaints so far;

(d) the existing mechanism to keep a check on speculation and price manipulation of farm items; and

(e) the other steps taken/being taken by the Government to curb speculation and price manipulation of farm items and to ensure balance between demand and supply of such items across the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) & (b): The Forward Markets Commission (FMC) ceased to exist with effect from September 28, 2015 consequent upon merger of FMC with Securities and Exchange Board of India (SEBI) in pursuant of the provision of the Finance Act, 2015.

(c) After the merger of FMC with SEBI, number of complaints in the matter, as received in SEBI from different sources, are as indicated below:
Financial Year No of complaints
2015-16 (from September 2015) 9
2016-17 25
2017-18 (till July 2017) 6

Complaints are examined and admitted as surveillance inputs. Price volatility and trading activities are monitored regularly and actions such as imposition of special and/or additional margin have been imposed at different points of time. Further, surprise inspections of various warehouses across the country to check the quality of deliverable agricultural commodities are also carried out as and when felt necessary.

(d) & (e): Since making over of regulations of commodity derivatives market to SEBI with effect from September 28, 2015, SEBI has taken several measures. It has prescribed specific norms for strengthening of the commodity derivatives market. Under Integrated monitoring and surveillance, commodity derivatives markets are kept under watch continuously to ensure market integrity.

Besides, in order to ensure smooth functioning of commodities derivatives markets, various regulatory measures are exercised from time to time to check the volatility in the commodity derivative contracts. In this regard, the following measures have been taken:

1. Limit on daily price movement to prevent abrupt upswing or downswing in prices Daily Price Limit (DPL) for all agricultural commodity derivative contracts have been reduced to 4 % from earlier limit of 6 % w.e.f. February 14, 2016.

2. Additional or/and Special margins payable on outstanding buy and sell positions besides initial, Extreme Loss Margin(ELM) and Value at Risk(VAR), to contain high volatility in prices have been imposed on some of the agri-commodity contracts such as Chana, Sugar, Refined Oil, Soyabean, RM seed, Coriander, Cottonseed oil cake, Cotton and Mentha oil etc.

3. Contracts in agri commodities like Chana was suspended from trading starting from July 27, 2016 which was subsequently re-launched starting from July 14, 2017

4. Monthly/ periodical meetings with the National Commodity derivative Exchanges are conducted to oversee trading development and functioning of the markets.

Other regulatory measures taken:
At the instance of SEBI, the National Commodity Derivative Exchange have introduced system providing real time alerts to trading

terminals for the clients trading through different trading members. Exchange trading system generates alert when any of the client exceed 70 % of the prescribed open position limits. Besides, it has put in a system to restrict self- trades or wash trade.

SEBI conducts surveillance on the futures trading in agri-commodities on near time basis and takes necessary corrective action as and when warranted to curb manipulation.

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